



**JOINT MEETING OF THE MILPITAS CITY COUNCIL,
MILPITAS HOUSING AUTHORITY, AND
SUCCESSOR AGENCY TO THE FORMER
REDEVELOPMENT AGENCY**



AGENDA

TUESDAY, OCTOBER 21, 2014

**455 EAST CALAVERAS BOULEVARD, MILPITAS, CA
6:00 P.M. (CLOSED SESSION) • 7:00 P.M. (PUBLIC BUSINESS)**

SUMMARY OF CONTENTS

- I. CALL TO ORDER by the Mayor (6:00 p.m.)**
- II. ADJOURN TO CLOSED SESSION**
 - 1. CONFERENCE WITH LABOR NEGOTIATORS - COLLECTIVE BARGAINING**

Pursuant to California Government Code Section 54957.6
City Negotiators: Tom Williams, Carmen Valdez
Employee Groups: International Association of Fire Fighters (IAFF) Local 1699, Milpitas Employees Association (MEA), Mid-management and Confidential Unit (Mid-Con), and Professional and Technical Group (ProTech)
Under Negotiation: Wages, Hours, Benefits, and Working Conditions
 - 2. PUBLIC EMPLOYEE PERFORMANCE EVALUATIONS**

Pursuant to CA Government Code Section 54957
Positions: City Manager and City Attorney
- III. CLOSED SESSION ANNOUNCEMENTS:** Report on action taken in Closed Session, if required pursuant to Government Code §54957.1, including the vote or abstention of each member present
- IV. PLEDGE OF ALLEGIANCE (7:00 p.m.)**
- V. INVOCATION (Councilmember Montano)**
- VI. APPROVAL OF COUNCIL MEETING MINUTES – October 7, 2014**
- VII. SCHEDULE OF MEETINGS – COUNCIL CALENDARS – October and November 2014**
- VIII. PRESENTATIONS**
 - Proclaim October 24, 2014 as *World Polio Day*
 - Proclaim October 2014 as *Filipino-American History Month*
 - 2014 Neighborhood Beautification Awards to Property Owners (reception to follow)
- IX. PUBLIC FORUM**

Members of the audience are invited to address the Council on any subject not on tonight's agenda. Speakers must come to the podium, state their name and city of residence for the Clerk's record, and limit their remarks to three minutes. As an item not listed on the agenda, no response is required from City staff or the Council and no action can be taken. However, the Council may instruct the City Manager to place the item on a future meeting agenda.

X. ANNOUNCEMENTS

XI. ANNOUNCEMENT OF CONFLICT OF INTEREST AND CAMPAIGN CONTRIBUTIONS

XII. APPROVAL OF AGENDA

XIII. CONSENT CALENDAR (Items with asterisks*)

Consent calendar items are considered to be routine and will be considered for adoption by one motion. There will be no separate discussion of these items unless a member of the City Council, member of the audience, or staff requests the Council to remove an item from or be added to the consent calendar. Any person desiring to speak on any item on the consent calendar should ask to have that item removed from the consent calendar. If removed, this item will be discussed in the order in which it appears on the agenda.

XIV. REPORT OF MAYOR

- * **1. Consider Mayor's Recommendation of Re-Appointment to Milpitas Art Commission (Contact: Mayor Esteves, 408-586-3029)**

XV. NEW BUSINESS

- * **2. Approve the City Council Meeting Schedule for the Year 2015 (Staff Contact: Mary Lavelle, 408-586-3001)**
- * **3. Approve the City of Milpitas as a Co-sponsor of the Milpitas Chamber of Commerce International BBQ and Festival in the Spring of 2015 (Staff Contact: Cindy Hom, 408-586-3284)**

XVI. RESOLUTIONS

- * **4. Adopt a Resolution Approving a Consulting Services Agreement with Cayenta Inc. as the Sole Source Vendor to Implement and Upgrade Financial and Utility Systems for a Total Amount Not-to-Exceed \$150,000 (Staff Contact: Jane Corpus, 408-586-3125)**
- * **5. Adopt a Resolution Annexing Certain Real Property into Community Facilities District No. 2008-1; Approve a Subdivision Improvement Agreement (Traverse Partners, LLC), Fee Credit Agreement (Traverse Partners), Final Maps and Improvement Plans (2-1184) for 569-625 Trade Zone Blvd, Project No. 2874 (Staff Contact: Ahmed Aly, 408-586-3325)**

XVII. AGREEMENTS

- * **6. Approve a Consultant Agreement with HF&H Consultants, LLC in the amount of \$48,885 for Non-Exclusive Hauler Audit and Approve a Budget Appropriation (Staff Contact: Jeff Moneda, 408-586-3345)**
- * **7. Approve Amendment No. 5 to the Consultant Services Agreement with RMC Water and Environment for a One Year Extension for Support on the Silicon Valley Rapid Transit Program Berryessa Extension, Project No. 4265 and Various City Capital Projects (Staff Contact: Jeff Moneda, 408-586-3345)**
- * **8. Approve Amendment No. 5 to the Consultant Agreement with Schaaf & Wheeler for an Additional \$10,000 for Storm Drain/Stormwater Program Documentation Review for the Silicon Valley Rapid Transit Program Berryessa Extension, Project No. 4265 (Staff Contact: Jeff Moneda, 408-586-3345)**

9. Consider Approval of a Purchase and Sale Agreement with Milpitas Unified School District for 6.7 Acres of City Owned Property on McCandless Drive for Construction of a New Elementary School (Staff Contacts: Tom Williams, 408-586-3050 and Johnny Phan, 408-586-3042)

XVIII. JOINT MEETING OF THE MILPITAS CITY COUNCIL, SUCCESSOR AGENCY AND MILPITAS HOUSING AUTHORITY

HA1. Call to Order/Roll by the Mayor/Chair

HA2. Approval of Agenda/Consent Calendar

- *HA3. Adopt a Joint Resolution of the City Council, Successor Agency of the Redevelopment Agency and Milpitas Housing Authority Approving the Transfer of Extremely Low-Income Single Family Properties at 751 Vasona Street and 1170 N. Park Victoria Drive from Senior Housing Solutions to Milpitas Senior Homes LLC (Charities Housing) and Approve a 15 Year Grant of \$459,000 from the Milpitas Housing Authority Fund for Operating and Ongoing Maintenance Costs (Staff Contact: Felix Reliford, 408-586-3071)**

HA4. Adjourn Joint Meeting

XIX. ADJOURNMENT

**NEXT REGULARLY SCHEDULED COUNCIL MEETING
TUESDAY, NOVEMBER 4, 2014**

KNOW YOUR RIGHTS UNDER THE OPEN GOVERNMENT ORDINANCE

Government's duty is to serve the public, reaching its decisions in full view of the public.

Commissions and other agencies of the City exist to conduct the people's business. This ordinance assures that deliberations are conducted before the people and the City operations are open to the people's review.

For more information on your rights under the Open Government Ordinance or to report a violation, contact the City Attorney's office at Milpitas City Hall, 455 E. Calaveras Blvd., Milpitas, CA 95035

e-mail: mogaz@ci.milpitas.ca.gov / Phone: 408-586-3040

The Open Government Ordinance is codified in the Milpitas Municipal Code as Title I Chapter 310 and is available online at the City's website www.ci.milpitas.ca.gov by selecting the Milpitas Municipal Code link.

Materials related to an item on this agenda submitted to the City Council after initial distribution of the agenda packet are available for public inspection at the City Clerk's office at Milpitas City Hall, 3rd floor 455 E. Calaveras Blvd., Milpitas and on the City website.

All City Council agendas and related materials can be viewed online here:
www.ci.milpitas.ca.gov/government/council/agenda_minutes.asp (select meeting date)

APPLY TO SERVE ON A CITY COMMISSION

Seeking Applications for:

Bicycle Pedestrian Advisory Commission

Recycling and Source Reduction Advisory Commission (Business and MUSD members)

Commission application forms are available online at www.ci.milpitas.ca.gov or at Milpitas City Hall.

Contact the City Clerk's office at 408-586-3003 for more information.

If you need assistance, per the Americans with Disabilities Act, for any City of Milpitas public meeting, call the City Clerk at 408-586-3001 or send an e-mail to mlavelle@ci.milpitas.ca.gov prior to the meeting. You may request a larger font agenda or arrange for mobility assistance. For hearing assistance, headsets are available in the City Council Chambers for all meetings in that facility.

AGENDA REPORTS

XIV. REPORT OF MAYOR

- * **1. Consider Mayor's Recommendation of Re-Appointment to Milpitas Art Commission (Contact: Mayor Esteves, 408-586-3029)**

Background: Mayor Esteves recommends re-appointment of Christina Driggers as Alternate No. 3 on the Arts Commission to a term that will expire in October 2016.

Recommendation: Approve re-appointment of one Milpitas Art Commissioner.

XV. NEW BUSINESS

- * **2. Approve the City Council Meeting Schedule for the Year 2015 (Staff Contact: Mary Lavelle, 408-586-3001)**

Background: The Milpitas Mayor and City Council are requested to consider and adopt their schedule of meetings for 2015. Regarding the City Council's summer time meeting dates, it has been recent tradition to cancel both of the July regular Milpitas City Council meetings.

City staff has begun to prepare year-long calendars for next year and have inquired of the City Council as to what exact dates the Council will meet in 2015. Staff requests that the City Council act on an affirmative meeting schedule for 2015 for its regular business meetings.

Recommendation: Move to approve the 2015 regular City Council meeting schedule, including the cancellation of the July 2015 City Council meetings.

- * **3. Approve the City of Milpitas as a Co-sponsor of the Milpitas Chamber of Commerce International BBQ and Festival in the Spring of 2015 (Staff Contact: Cindy Hom, 408-586-3284)**

Background: In May 2014, the City of Milpitas and the Milpitas Chamber of Commerce co-sponsored the Milpitas International BBQ and Festival event which featured a BBQ cook off, six food trucks, four food vendors, three wineries and a custom brewery, artisans' booths, car show and live musical performances. Approximately 25,000 people attended the event over the two-day weekend. The City provided assistance with the temporary street closure and implementation of the traffic handling plan, event security, and waived various permit fees related to fire inspections, electrical permits, and rental of the portable stage to name a few.

The Milpitas Chamber of Commerce is proposing to host the community-wide event again in 2015 and requested the City to participate as a co-sponsor. The proposed International BBQ and Festival event is scheduled for May 30, 2014 to May 31, 2014 between the hours of 10 AM – 6 PM on South Milpitas Blvd. between Los Coches and Turquoise Street. The event description and layout are provided as an attachment.

For next year, the Chamber requests the City provide assistance with implementation of the traffic handling, event security, and waiver of permits and inspection fees at a total amount of \$16,298.52 (itemized on document in Council agenda packet). The Chamber also requests to install temporary event signage around the city and placement of message on the City's reader board sign and electronic billboard sign on Interstate 880. As a co-sponsor, the City would receive recognition by the use of the City's name and logo on promotional and marketing materials. The Chamber will fund any extraneous expenses for the event not covered by the City, and procure all beverage, entertainment, contestants, vendors, and miscellaneous necessities for the success and safety of the event not covered by the City.

Fiscal Impact: \$16,298.52 or an amount specified by the City Council.

Recommendation: Approve the City of Milpitas' co-sponsorship of the International BBQ and Festival event in the spring 2015 in the amount of \$16,298.52, or an amount specified by the City Council. Authorize use of the City's name and logo for promotional and marketing materials and placement of message on City reader board sign and electronic billboard sign on I-880.

XVI. RESOLUTIONS

- * **4. Adopt a Resolution Approving a Consulting Services Agreement with Cayenta Inc. as the Sole Source Vendor to Implement and Upgrade Financial and Utility Systems for a Total Amount Not-to-Exceed \$150,000 (Staff Contact: Jane Corpus, 408-586-3125)**

Background: The City of Milpitas entered into a license agreement with Cayenta Inc. to implement a fully integrated financial system in 1996. Periodically, the system needs to be upgraded due to technological and software changes. The current version of the City's existing utility system and financial system is a 2009 version while the City completed a major upgrade to the Utility and Financial System in 2009. Current version uses Windows XP and Internet Explorer 8, and both are no longer supported by Microsoft. The Utility System and Financial System needs to be upgraded to version 7.7 in order to be compatible with Microsoft's latest operating system. Upgrading to version 7.7 will also allow the City to easily add future minor releases and programming changes and add many new functionalities such as enhanced inquiry menus with added additional search functionality, redesign of purchasing screen by consolidating and linking various screens into one, added Hi-Lo Portal to Utilities system that displays abnormal consumptions needed to be reviewed or follow-up, enhanced user security and auditability such as restricting users from approving their own work, new database view that allows users to access multiple years of general ledger data, and integration with Excel that would allow exporting and ad-hoc reporting.

The scope of work for this consultant contract includes project management, consulting services, and technical services as well as data testing to assist the City with implementation. The fee for the service is for a total not-to-exceed \$150,000. The Purchasing Agent conducted a good faith review of available sources in accordance with Milpitas Municipal Code Section I-2-3.09 (Sole Source Procurement) and determined there is only one source for the financial system upgrade since Cayenta does not authorize any other third party to perform software support, maintenance or upgrade of its proprietary software.

Fiscal Impact: Funds are budgeted in Capital Improvement Project No. 3413, the 2015 Finance System Upgrade.

Recommendation: Adopt a resolution approving a consulting services agreement with Cayenta, Inc. as a sole source vendor to implement and upgrade the City's financial and utility systems for a total amount not-to-exceed \$150,000 and for a term expiring on June 30, 2015.

- * **5. Adopt a Resolution Annexing Certain Real Property into Community Facilities District No. 2008-1; Approve a Subdivision Improvement Agreement (Traverse Partners, LLC), Fee Credit Agreement (Traverse Partners), Final Maps, and Improvement Plans (2-1184) for 569-625 Trade Zone Blvd, Project No. 2874 (Staff Contact: Ahmed Aly, 408-586-3325)**

Background: On June 4, 2013, the City Council approved Site Development Permit (SD13-0008), Major Tentative Map (MT13-0004), Conditional Use Permit (UP13-0005), and Environmental Impact Assessment (EA13-0002) to allow the subdivision of four parcels that could accommodate up to 206 dwelling units along with ancillary lots for private streets, public streets, and a public park on 12.51 acre site located within the Transit Area Trade Zone/Montague Sub district (hereafter referred to as "Traverse Residential").

Traverse Residential submitted a final tract map with the required supporting documents for the creation of fifteen lots for condominium purposes and townhomes.

Traverse Residential will construct 206 residential units consisting of 98 attached townhomes and 108 condominiums. The development has on-site private utilities (potable water, sanitary sewer, storm drain, recycled water, etc.). The public improvements consist of construction of public park, public streets, frontage improvement along Trade Zone Boulevard and Momentum, utility connections, recycled water main, water main, sanitary sewer main, storm drain main, sidewalk, overlay, landscaping, etc.

In addition to the final map, the developer also submitted public improvement plans (2-1184), and executed a subdivision improvement agreement. Staff reviewed these documents and finds that they satisfy the City's requirements for this project. The public improvement plans and final maps are available for review in the office of the City Engineer.

Traverse Residential has agreed to dedicate and construct 0.73 acres of park land as identified within the Transit Area Specific Plan (TASP) financing plan that would otherwise be financed by the TASP Fee, described as follows:

1. **Park Land Dedication:** Developer will make an irrevocable offer of dedication of fee title to the City for approximately .73 acres of real property identified as Lot A on Tract Map No. 10224 for a public park. Developer shall provide City with a fully executed grant deed in a form acceptable to City simultaneously with the execution of this Agreement. City will accept the offer of dedication by recording the grant deed at a later date upon completion of the park improvements on the 0.73 acres of real property in accordance with all City requirements.
2. **Park Improvements:** Developer will design the entire 5.1 acres park and construct certain public park improvements on the 0.73 acres dedicated as part of this project. Remaining park construction will be completed by future developer(s).

Traverse Residential has executed a fee credit agreement to receive a total fee credit not to exceed \$2,323,200.00 (\$1,876,200.00 for the land dedication and \$447,000.00 for the park construction). Based on the current fee schedule, the estimated TASP fees for the residential project is \$6,752,886.00 (208 units x \$32,781). Traverse Residential will receive a credit of \$32,781 for each residential unit up to a total credit of \$2,323,200. Once the credit has been exhausted, Traverse Residential will be required to pay the TASP fees for each residential unit based on the fee schedule in effect at the time of building permit issuance.

Traverse Residential is required to annex the subject property into the Community Facilities District 2008-1 (CFD 2008-1) as a condition of the tentative maps approved by the City Council on June 4, 2013. Resolution No. 8267 adopted by City Council on January 6, 2009 forming the CFD 2008-1, authorizes the City to annex properties to CFD 2008-1, which will be assessed only for eligible public services, without further public hearing or formal election upon receipt of written consent from the owners. Traverse Residential gave consent and approval that this property be annexed to CFD 2008-1, and agreed that such consent and approval constitutes election to annex to CFD 2008-1 and approval of the authorization for the levy of the special tax on the subject properties.

Fiscal Impact: None.

Recommendations:

1. Adopt a resolution annexing real properties located within Final Tract Map No. 10224 into Community Facility District 2008-1.
2. Approve a Subdivision Improvement Agreement between the City of Milpitas and Traverse Partners, LLC for public improvements associated with Final Tract Map No. 10224.
3. Approve Fee Credit Agreement between the City of Milpitas and Traverse Partners, LLC for fee credits associated with the TASP park land dedication and 0.73 acres of public park construction.

4. Approve Final Tract Map No. 10224 and Public Improvement Plans 2-1184 (construction documents for the associated public improvements).

XVII. AGREEMENTS

- * **6. Approve a Consultant Agreement with HF&H Consultants, LLC in the amount of \$48,885 for Non-Exclusive Hauler Audit and Approve a Budget Appropriation (Staff Contact: Jeff Moneda, 408-586-3345)**

Background: Per Title V, Chapter 200 of the Milpitas Municipal Code and the City's solid waste franchise agreement with Republic Services, Inc., solid waste collectors may enter into non-exclusive agreements with the City to collect and dispose of certain non-organic solid waste and/or construction and demolition debris from Milpitas residents and businesses that are not covered by the Republic Services, Inc. exclusive franchise agreement.

At present, the City has separate non-exclusive agreements with twelve hauling companies. As a fiscal precautionary measure, staff has obtained professional services to evaluate the reasonableness of the non-franchise compensation revenues and determine if the amounts are accurate. The consulting firm HF&H Consultants will conduct as part of its audit, a review of the City's non-exclusive debris box hauling program; perform residential and commercial site visits to review practices and audit financial records; and communicate findings in a report for City Council. Staff negotiated a scope and fee for these services not to exceed \$48,885.

California Environmental Quality Act (CEQA): The action is not considered a project under CEQA as there will be no direct, or reasonably foreseeable indirect physical change in the environment.

Fiscal Impact: A budget appropriation in the amount of \$48,885 is needed from the Solid Waste Fund to the Utility Engineering Operating Budget.

Recommendations:

1. Approve a consultant agreement with HF&H Consultants in the amount of \$48,885.
2. Approve a budget appropriation from the Solid Waste Fund to the Utility Engineering operating budget.

- * **7. Approve Amendment No. 5 to the Consultant Services Agreement with RMC Water and Environment for a One Year Extension for Support on the Silicon Valley Rapid Transit Program Berryessa Extension, Project No. 4265 and Various City Capital Projects (Staff Contact: Jeff Moneda, 408-586-3345)**

Background: On August 3, 2010, the City entered into a Master Agreement with the Santa Clara Valley Transportation Authority (VTA) for reimbursement of City work on the Silicon Valley Berryessa Extension project. The Master Agreement allows reimbursement of consultant costs for design review services. On March 1, 2011, Council approved a Consultant Services Agreement with RMC Water and Environment (RMC) to work on either the BART project directly or work on other capital improvement projects, thereby freeing staff to work on the BART project. Over the past four years, the City Council has approved four Amendments to the Consultant Agreement and extended the term through October 31, 2014. The engineering work is anticipated to last another twelve months. It is necessary to extend the term of the RMC Consultant Agreement to October 31, 2015.

California Environmental Quality Act (CEQA): The action is not considered a project under CEQA as there will be no direct, or reasonably foreseeable indirect physical change in the environment.

Fiscal Impact: None. Consultant expenses and City staff labor are reimbursable under the VTA Master Agreement. There are sufficient funds in the project budget for the continuation of this work.

Recommendation: Approve Amendment No. 5 to the consultant services agreement with RMC Water and Environment to extend the term from October 31, 2014 to October 31, 2015, for support on the Silicon Valley Rapid Transit Program Berryessa Extension, Project No. 4265 and various City Capital Projects, and related private job reimbursement.

- * **8. Approve Amendment No. 5 to the Consultant Agreement with Schaaf & Wheeler for an Additional \$10,000 for Storm Drain/Stormwater Program Documentation Review for the Silicon Valley Rapid Transit Program Berryessa Extension, Project No. 4265 (Staff Contact: Jeff Moneda, 408-586-3345)**

Background: Santa Clara Valley Transportation Authority (VTA) continues to move forward on the design and construction of the Bay Area Rapid Transit (BART) extension project. The Milpitas BART station and parts of the BART alignment are within a floodplain. In addition, the work requires relocation of existing and/or installation of new City storm drain pipes, and compliance verification with mandatory storm water program requirements. On January 26, 2012, the City entered into a Consultant Services Agreement with Schaaf & Wheeler for professional engineering services for the BART extension project. Over the past two years, the City Council has approved four Amendments to the Consultant Agreement and extended the term through October 31, 2014. The engineering work is expected to continue for another twelve months. It is necessary to amend the agreement to provide additional funding for consultant support. Staff recommends increasing the Consultant Agreement by \$10,000, for a total not-to-exceed amount of \$100,000, and extending the expiration date to October 31, 2015.

California Environmental Quality Act (CEQA): The action is not considered a project under CEQA as there will be no direct, or reasonably foreseeable indirect physical change in the environment.

Fiscal Impact: None. There are sufficient funds in the project budget. Consultant expenses and City staff labor are reimbursable under the VTA Master Agreement.

Recommendation: Approve Amendment No. 5 to the consultant agreement with Schaaf & Wheeler for an additional \$10,000 and extend the term from October 31, 2014 to October 31, 2105 for the Silicon Valley Rapid Transit Program Berryessa Extension, Project No. 4265.

- 9. Consider Approval of a Purchase and Sale Agreement with Milpitas Unified School District for 6.7 Acres of City Owned Property on McCandless Drive for Construction of a New Elementary School (Staff Contacts: Tom Williams, 408-586-3050 and Johnny Phan, 408-586-3042)**

Background: The City of Milpitas and the Milpitas Unified School District have been negotiating the sale of 6.7 acres of City owned property on McCandless Drive for a new elementary school to be built by the Milpitas Unified School District by 2019. As a result of several meetings over the last ninety days between staff and a City Council Subcommittee comprised of Mayor Esteves and Vice Mayor Polanski with representatives from the Milpitas Unified School District Board, a tentative agreement for the sale of the subject property was consummated. The agreement requires a majority approval of the City Council.

As a result of the direction provided by the Subcommittee, proposed Purchase and Sale Agreement terms and conditions are:

- City to sell 6.7 acres ("School Site") of the 10.9 acres of McCandless Drive property to School District for the purpose of constructing a new public elementary school.

- School District will pay \$20,770,000 (6.7 acres at \$3.1 million/acre).
- Close of escrow and transfer of School Site on or before October 21, 2015 to allow School District time to conduct soil testing, complete California Environmental Quality Act requirements and design, and obtain approval from the state.
- Deed restriction to be recorded on School Site requiring the School Site to be used as a public school in the future with re-vesting rights to the City. If the District is in default within forty years from the opening of the school, the District will be in default of the agreement and property will revert back to the City at no cost. After forty years, the deed restriction will remain in place with enforcement rights of the City but if MUSD defaults, the price of the land will be negotiated.
- City and School District evenly share all closing costs, transfer fees, and title insurance cost.
- School Board was scheduled to consider the Proposed Purchase and Sale Agreement at a School Board meeting on October 15, 2014, with City Council consideration at its meeting on October 21, 2014.
- Joint use agreement to be negotiated will include 1.2 acres portion of School Site for a soccer field, additional joint use of outdoor basketball courts, parking lot, and other areas to be negotiated.

Fiscal Impact: Cost recovery in the amount of \$20.77 million of the \$42 million paid by the city for the land inclusive of the Santa Clara County and State of California “claw-back” of the funds as a result of the Redevelopment Agency dissolution law. City general fund loss as part of the transaction totals \$21.2 million.

Recommendation: Approve a Purchase and Sale Agreement with the Milpitas Unified School District for 6.7 acres of City owned property on McCandless Drive for construction of a new elementary school.

XVIII. JOINT MEETING OF THE MILPITAS CITY COUNCIL, SUCCESSOR AGENCY AND MILPITAS HOUSING AUTHORITY

- *HA3. Adopt a Joint Resolution of the City Council, Successor Agency of the Redevelopment Agency, and Milpitas Housing Authority to Approve the Transfer of Extremely Low-Income Single Family Properties at 751 Vasona Street and 1170 N. Park Victoria Drive from Senior Housing Solutions to Milpitas Senior Homes LLC (Charities Housing) and Approve a 15 Year Grant of \$459,000 from the Milpitas Housing Authority Fund for Operating and Ongoing Maintenance Costs (Staff Contact: Felix Reliford, 408-586-3071)**

Background: In 2006 and 2009, the City Council and former Milpitas Redevelopment Agency allocated the use of CDBG and 20% Low-Income Housing Set-Aside Funds (loans and grants) for the purchase of two single family homes at 751 Vasona Street and 1170 North Park Victoria Drive for 10 extremely low-income Milpitas seniors. The loans and grants totaled over \$1 million for the 1170 North Park Victoria property and over \$550,000 for the 751 Vasona Street property. These amounts were allocated to Senior Housing Solutions (SHS) to allow the non-profit to leverage its other County funding for property acquisition and upgrades required to accommodate five seniors living in each of the homes. Each senior resident over age 60 rents a bedroom and shares the rest of the home.

At the time of the approved funds, SHS owned 11 single family homes located in six cities within Santa Clara County. Of the 11 homes, eight were awarded Project Based Section 8 subsidies from the Housing Authority of the County of Santa Clara. This subsidy, combined with minimal rents paid by the seniors between \$200 to \$400 per month, enabled the properties to

operate with a small positive cash flow. The two homes in Milpitas and one home in Cupertino unfortunately never received Project Based Section 8 subsidies, in which the Housing and Urban Development (HUD) Section 8 Program would require tenants to pay 30% of their income on rent and the federal government pays the balance. In the past, staff had requested that SHS apply for the Section 8 program for the Milpitas homes but because the properties were relatively new compared to the other properties owned by SHS and the waiting list was substantially long (19,000 Santa Clara County residents on the Section 8 waiting list), no Section 8 subsidies have been awarded. Furthermore, since the federal government sequestration several years ago and a substantial reduction in HUD budget, the City was informed by the County Housing Authority that HUD substantially reduced the number of vouchers issued for the Section 8 Program.

As a result, these three properties (two in Milpitas and one in Cupertino) have been operating at a substantial deficit. Under the SHS model, these deficit properties were subsidized with the positive cash flow from the other eight homes. The eight cities where the Section 8 subsidies are located have decided that they no longer want the positive cash flow generated by their homes to subsidize the three deficit properties.

SHS has experienced financial hardship for the past few years and thus decided to dissolve its organization and Board of Directors. SHS requested that Charities Housing assume ownership of the properties and, in the interim, manage the eleven properties, which Charities has been doing for more than a year. Charities Housing approached all cities in regards to taking over ownership of the properties, maintaining long-term affordability and property management. All other cities have agreed including the City of Cupertino.

The City of Cupertino has approved a grant in the amount of \$251,635 to be disbursed over two years for Charities Housing for the property transfer and to subsidize the operation for 15 years. The transfer of the single property was completed on August 21, 2014.

Charities Housing has requested that the Milpitas Housing Authority consider authorizing the transfer of the two properties located in Milpitas from Senior Housing Solutions to Milpitas Senior Homes LLC, legal entity created by Charities Housing, and provide a grant to assist in operating costs (including \$20,000 legal and transfer of properties cost) in the amount of \$459,000 over the next 15 years to maintain long-term affordable housing for 10 extremely low-income Milpitas seniors. The funding will be allocated annually \$30,600 per year, with the first year funding of \$50,600 (\$30,600 and \$20,000 legal and transfer properties one time costs). The final year of the agreement would be \$10,600. Additionally, the age restriction will be changed from a minimum of 60 years to 62 years to be consistent with federal requirements and other County loan requirements on the two properties.

Staff reviewed the non-profit's request and recommends that the Housing Authority approve the transfer of properties and \$459,000 in operating funds for the following reasons:

- The approval would allow ten extremely low-income Milpitas senior residents whose rents range \$200-\$400 to maintain affordable housing and a stable living environment;
- Charities Housing would be willing to take over all future debt and obligations of both homes and demonstrated itself to be a stable financial nonprofit based on its portfolio;
- If the homes were transferred back to the Housing Authority, that agency would be required to take on the future financial debts and obligations which would be more costly in the long term (including repayment of loans, ongoing maintenance, operating, and administration costs); and
- Finding replacement housing would be particularly challenging for the extremely low-income households.

Charities Housing is also requesting \$97,400 in additional costs associated with future rehabilitation repairs, improvements and property deficiencies. Staff recommends Charities Housing apply for future CDBG funding for these costs.

There are sufficient funds in the Housing Authority budget to support this request. Included in the agenda packet is a letter from Charities Housing explaining its request along with background information. Representatives from Charities Housing will be present at the meeting if there are any questions.

As part of the recommendation, staff is requesting authority for the City Manager, Successor Agency Executive Director, and Milpitas Housing Authority President to execute all necessary documents to implement the transfer of the properties from Senior Housing Solutions to Milpitas Senior Homes, LLC including assignment of all existing grant and regulatory agreements and other related documents.

There are additional loans on the two Milpitas properties from Santa Clara County. Charities Housing is currently working with the County to assign those loans to them and the Santa Clara County Board of Supervisor is tentatively scheduled to consider such request at its meeting on November 18, 2014.

Fiscal Impact: None. There are sufficient funds in the Milpitas Housing Authority.

Recommendation: Adopt a joint resolution of the City Council, Successor Agency of the Redevelopment Agency, and Milpitas Housing Authority approving the transfer of properties at 751 Vasona Street and 1170 North Park Victoria Drive from Senior Housing Solutions to Milpitas Senior Homes LLC (Charities Housing) and authorizing the City Manager, Successor Agency Executor Director, and Milpitas Housing Authority, or their respective designees, to execute all documents necessary to effectuate the transfer including the operating 15 year grant agreement in the amount of \$459,000.

XIX. ADJOURNMENT

**NEXT REGULARLY SCHEDULED COUNCIL MEETING
TUESDAY, NOVEMBER 4, 2014**